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Charles Schwab office

TECHNOLOGY

Advisors Express Cautious Optimism Ahead Of Schwab, TD Ameritrade Labor Day Account Conversion

Many who custody with one or both have seen no major hiccups so far, while some smaller, TD-only firms expressed confusion and frustration.

Rob Burgess, Davis Janowski | Sep 01, 2023

Ahead of Charles Schwab's planned Labor Day conversion for TD Ameritrade clients, advisors who custody at one or both expressed a range of emotions ahead of the long-planned switch.

The merger of the giants was announced in Nov. 2019 when Schwab made public its planned \$26 billion deal to acquire TD Ameritrade that would bring the combined firm to more than \$5 trillion in assets.

Over the next four years the average advisor with the two firms has experience numerous calls, emails, delays, service interruptions and changes as well as complex preparations and tasks that advisors themselves must manage.

In recent weeks WealthManagement.com was provided with a detailed 62-page step-by-step Schwab Firm Security Administration guide by an advisor that had struggled with the preparations as evidence of the heavy lift.

In the lead up to the final big push WealthManagement.com reached out to a range of advisors to see how their firms were preparing and feeling about the transition. Here is a sampling.

Brian Perry, executive vice president and chief investment officer at Pure Financial Advisors in San Diego, Calif., said his firm had been “quite focused” on the coming conversion for the past four to six months when they set up an internal working group to both communicate with Schwab and with departments internally.

“The bottom line was we wanted to make sure we were in a position where our clients wouldn’t have any surprises,” said Perry.



Pure Financial Advisors already had a preexisting custodial relationship with Schwab, but he said this integration was set to multiply the scope of that relationship by a factor of five. The firm has nearly \$5.1 billion in total assets under management, 42 advisors and 3,906 clients. Of that number, a little over half currently have their assets custodied at TD—meaning more than \$2.2 billion in AUM will be moving to Schwab this weekend.

Perry said the firm has been “pleased” thus far at their communications with their Schwab relationship manager and others there.

“Overall, we are relatively confident things will proceed without major hiccups, but ... we’ll know for sure next week,” said Perry.

He said that within his firm there had been discussions with advisors to identify and proactively relay any trade requests for next week. The goal, Perry said, was to give themselves a few days to make sure the data conversion process was going smoothly before completing any non-essential trading, saying they took this step on their own initiative.

“We’re pretty confident everything will go smoothly, [but] we also don’t need to be beta testers,” he said.

One point of confusion among some clients was that the transition had been driven by their firm alone.

“They wonder why we are moving them to Schwab,” said Perry. “We have to clarify that this isn’t an optional transition, but rather the result of a merger that occurred three years ago,” a point the firm has been reiterating regularly in client newsletters and emails.

Even so, the amount of assets Pure Financial Advisors is bringing over from TD to Schwab has led the latter to provide special attention to the firm. Both Kathy Jones, a managing director and chief fixed income strategist for the Schwab Center for Financial Research, as well as Liz Ann Sonders, managing director and chief investment strategist for all of Charles Schwab, had come to talk to the firm’s advisors ahead of the transition, according to Perry.

“We try to have the humility that in the grand scheme of things we’re a drop in the bucket,” said Perry. “We’re important in our space, but the reality is these are multi-trillion-dollar institutions and we’re a multi-billion-dollar institution.”

Taylor Wilson, the founder of Greenstone Wealth Management, a fee only RIA based in Forest City, Iowa with a staff of three and \$17 million in assets under management has been working to transfer the majority of client accounts to Betterment for Advisors ahead of the account move.

“The transition to Schwab has been very complicated—we used both TDA and Schwab before the transition and we are still worried about disruptions in service to our clients,” he said.

“We decided this would be a good opportunity to change to a custodian that offers more features than TD Ameritrade or Charles Schwab,” said Wilson, citing, in particular, the simple account opening process and easy digital onboarding, automatic billing, and being able to easily link bank accounts using account aggregator Plaid.

“Our firm is starting to concentrate more on tax planning and Betterment's automatic tax loss harvesting and ceilings on allowable taxable gains will be a huge bonus,” said Wilson, noting that his firm still has some accounts with TD Ameritrade and Schwab that could not be transferred immediately due to large capital gains but still planned to ultimately move his firm’s entire book of business.

Angela M. Bender, a managing partner at AMJ Financial Wealth Management in Leesburg, Va., which has \$340 million in AUM, six advisors and 425 clients had been using TD Ameritrade Institutional as custodian of her RIA assets since 2012. She said one of the reasons she partnered with TD in the first place was “for the robust technology stack.”

It is also technology, she said, that she and her fellow advisors were most looking forward to having access to: specifically digital onboarding and cash management functions.



Neither Jones nor Sonders had visited her firm though, she said. In fact, Bender said her firm currently lacks a dedicated Schwab service representative, which she did have at TD. That person had been let go by Schwab during the merger and had not been replaced.

"Those mega firms are getting a lot more white-glove treatment," said Bender.

Bender said she had not paused trading, as Perry's firm had, in preparation for the switch.

"That's their challenge to figure out," she said. "I'm not going to inconvenience my clients any more. That's the custodian's job. And if they can't do their job, I'd like to know it. I don't work for them, I work for my clients."

Perry said he empathized with smaller firms who may feel like they're being left behind during the transition.

"Economies of scale are increasingly coming into it," he said.

Clint Walkner, co-founder of Walkner Condon Financial Advisors in Madison, Wis., said his firm custodies with both Schwab and TD, so they can "see things from both sides." The firm has a total AUM of around \$560 million, eight advisors and 615 clients. The firm currently has 600 accounts with Schwab with a total AUM of around \$243 million. They are bringing over another 1,160 accounts from TD with a total AUM of around \$249 million.

Walkner said he felt his relationship managers at Schwab had done "a really good job" of communicating with both advisors and clients throughout the process.

Tom Balcom, founder of 1650 Wealth Management in Lauderdale by the Sea, Fla., said they also custody at both. The firm has a total AUM of around \$100 million, one advisor and 125 clients. Of those, 105 clients now custody with Schwab with a total of AUM of around \$83 million. Another 20 clients custody with TD, with a total AUM of around \$17 million.

He said they were "pleased to report that it has been business as usual" for the firm's Schwab clients while his TD Ameritrade clients are in the process of being mapped over from nine-digit to eight-digit account numbers, which will "hopefully complete seamlessly this weekend."

Ryan Weiser, founder of Weiser Financial Planning, a solo practice with \$25 million in assets under management was concerned about certain aspects of the transition.

“Right now we can see all our TD account numbers but nothing else and they [Schwab] tell us we’ll have access on TD for the next 90 days after and I worry that it will be insufficient—if people make an IRA contribution after that,” he said.

Weiser said he had kept all his client assets at TD after the announcement of the merger but a year in he had onboarded with Schwab as a secondary custodian.

“All in all, I’m positive on the transition and honestly looking forward to it—and hopefully when we turn on our systems Tuesday morning, everything will be good to go,” said Weiser.